Board Action Bulletin

Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR JANUARY 13, 2005

Federally insured CU merger, insurance termination and conversion rule amended

The National Credit Union Administration (NCUA) Board issued a final change to the Part 708b rule on credit union mergers, federal share insurance terminations and conversions from federal share insurance to nonfederal (private) insurance.

The final Part 708b rule requires credit unions converting from federal to private share insurance to make certain disclosures to members to ensure they are properly informed before voting on whether to convert. The rule also provides protections to members who may lose federal insurance because they have large insured accounts at two federally insured credit unions that are merging or they have term accounts at a federally insured credit union that is converting to private insurance. In addition, the rule requires merging credit unions to analyze the premerger requirements imposed by the Hart-Scott-Rodino Act and provides for other updates to the existing rule. The final rule is effective 30 days after publication in the Federal Register.

Amendments finalized for MSB conversions

The NCUA Board adopted a rule change to Part 708a amending the requirements for converting from an insured credit union to a mutual savings bank to ensure members are provided full disclosure about the conversion, including costs, before voting on the conversion. The amendments require a secret ballot vote be conducted by an independent entity. These amendments are effective immediately upon publication in the Federal Register.

Interest rate ceiling remains 18 percent

The NCUA Board approved final rule Section 701.21 (c)(7)(ii)(C) extending the 18 percent interest rate ceiling on federal credit union loans and line of credit advances through September 8, 2006, to avoid restricting certain types of credit and adversely affecting the financial condition of a number of credit unions. The interest rate was scheduled to revert to 15 percent in March 2005.

Board votes are unanimous unless indicated.